

Law Offices of

CHAPMAN AND CUTLER LLP

Theodore S. Chapman  
1877-1943  
Henry E. Cutler  
1879-1959

111 West Monroe Street, Chicago, Illinois 60603-4080  
Telephone (312) 845-3000  
Facsimile (312) 701-2361  
chapman.com

San Francisco  
595 Market Street  
San Francisco, California 94105  
(415) 541-0500

March 3, 2004

RECORDATION NO. 24819-1 FILED

Salt Lake City  
50 South Main Street  
Salt Lake City, Utah 84144  
(801) 533-0066

Mr. Vernon A. Williams, Secretary  
Surface Transportation Board  
1925 K Street, N.W. - Room 704  
Washington, D.C. 20423-0001

MAR 3 '04 10-51 AM

SURFACE TRANSPORTATION BOARD

Re: Synthetic Lease Financing of Railcars  
Southwestern Electric Power Company - Lessee  
Second Closing

Dear Mr. Williams:

I am enclosing for recording pursuant to Section 11301 of Title 49 of the United States Code, two copies of the secondary document described below. As an attorney representing one of the parties in this transaction, I have knowledge of the matters described in this letter.

The secondary document is as follows:

Lease and Security Agreement Supplement No. 2, dated as of March 3, 2004, between the Lessor and the Lessee.

The primary document to which Lease and Security Agreement Supplement No. 2 is connected is the Railcar Lease and Security Agreement, dated as of February 17, 2004, covering the new railroad rolling stock bearing the road numbers listed in the exhibit thereto, which was assigned Recordation Number 24819.

The names and addresses of the parties to the enclosed document are as follows:

LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2

Lessor: Southwestern Statutory Trust-2004-A  
c/o Wilmington Trust Company, as Security Trustee  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890

Lessee: Southwestern Electric Power Company  
c/o American Electric Power Service Corporation  
1 Riverside Plaza  
Columbus, Ohio 43215

1650126.01.01  
1585694

Law Offices of  
CHAPMAN AND CUTLER LLP

Mr. Vernon A. Williams, Secretary  
March 3, 2004  
Page 2

The description of the Equipment covered as of the date hereof by the aforesaid Lease and Security Agreement Supplement No. 2 is as set forth on **Exhibit A** hereto.

A fee of thirty dollars (\$30.00) is enclosed. Please time and date stamp the enclosed copy of the enclosed document along with the extra copy of this letter as proof of filing and recordation of the enclosed document and return the original and any extra copies of such documents and this letter not needed by the Board for recordation to:

Richard J. DiLallo, Esq.  
Chapman and Cutler LLP  
111 West Monroe Street  
Chicago, IL 60603-4080

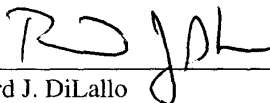
A short summary of the document to appear in the index follows:

"LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2, dated as of March 3, 2004, covering new railroad rolling stock bearing the road numbers listed in the exhibit thereto. Lease and Security Agreement Supplement No. 2 is related to the Railcar Lease and Security Agreement between the Lessor and the Lessee dated as of February 17, 2004, which is filed and assigned Recordation Number 24819."

If you have any questions or need further information, please do not hesitate to contact the undersigned at (312) 845-3481.

Sincerely,

CHAPMAN AND CUTLER LLP

By   
Richard J. DiLallo

RJD  
Enclosures

Law Offices of  
CHAPMAN AND CUTLER LLP

**EXHIBIT A**

Description	Number of Cars	Marks	Car Numbers
New Aluminum BethGon II cars	125	COEH	6688 through 6812 (inclusive)

Execution Copy

RECORDATION NO. 24819-D FILED

LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2 MAR 3 '04 10-51 AM

SURFACE TRANSPORTATION BOARD

THIS LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2 dated as of March 3, 2004 between SOUTHWESTERN STATUTORY TRUST-2004-A, a Delaware statutory trust ("*Lessor*"), and SOUTHWESTERN ELECTRIC POWER COMPANY, a Delaware corporation ("*Lessee*"),

WITNESSETH:

1. Lessor and Lessee have heretofore entered into a Railcar Lease and Security Agreement dated as of February 17, 2004 (the "*Lease*") providing for the execution and delivery of Lease and Security Agreement Supplements substantially in the form hereof. The terms defined in the Lease shall have the same meanings when used herein.

2. Lessee hereby acknowledges and confirms that on or prior to the date hereof, the Subject Equipment described in **Schedule 1** attached hereto (the "*Subject Equipment*") has been delivered and assembled. Lessee represents that the Subject Equipment is free and clear of all liens and encumbrances.

3. Lessee hereby certifies that the date of acceptance of the Subject Equipment is March 3, 2004 and commencement of the Lease Term with respect thereto is May 1, 2004.

4. Lessee hereby certifies that such Acquisition Price for the Subject Equipment as of the date hereof is \$5,797,092.71. Lessee hereby certifies that the Equipment Cost for the Subject Equipment as of the date hereof is \$5,742,750.00.

5. Interim Rent, Fixed Rent, Stipulated Loss Values and Termination Amounts for the Subject Equipment is payable in the amounts and on the Rent Payment Dates set forth in **Schedule 2** attached hereto.

6. Lessee hereby certifies that the Lease Balance for the Subject Equipment as of the date hereof is \$5,797,092.71.

7. Pursuant to and amending, supplementing and modifying Section 8 of the Lease, for purposes of Federal, state and local income tax, accounting and commercial law and bankruptcy insolvency, conservatorship, receivership and UCC purposes, it is the intention of the parties hereto that (i) the Lease and this Lease and Security Agreement Supplement be treated as a security agreement (the "*Lessee Security Agreement*"), (ii) the Lessee Security Agreement will secure the payment and performance of the Secured Obligations, (iii) all payments of Interim Rent, Fixed Rent and Supplemental Rent shall be treated as payment of principal, interest or premium, if any, on the Secured Obligations, and all payments of Stipulated Loss Value and Termination Amount and Lease Balance shall be treated as payment of principal of the Secured Obligations, (iv) Lessee should be treated as entitled to all benefits of ownership of the Equipment, (v) Lessor shall have all of the rights, powers and remedies of a secured party available under Applicable Law to take possession of and sell (whether by judicial foreclosure,

1645213.02.00  
1585694

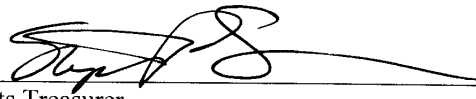
power of sale or otherwise) the Lessee Collateral, (vi) the effective date of the Lessee Security Agreement will be the date of this Lease and Security Agreement Supplement (vii) the reference to Section 8 of the Lease and Security Agreement in this Lease and Security Agreement Supplement shall be deemed to be the recording of the Lessee Security Agreement and (viii) Lessor shall be treated as having advanced funds to Lessee in the form of a loan secured by a Lien on the Items of Equipment and the other Lessee Collateral. Without limiting the foregoing, Lessee acknowledges that Lessor is concurrently with the grant of the security interest pursuant to Section 8 entering into the Security Agreement pursuant to which Lessor is assigning and granting a security interest in the Collateral (as such term is used in the Security Agreement), to all of which and to the terms of such Security Agreement Lessee unconditionally agrees.

8. It is expressly understood and agreed by the parties that with respect to the Lessor Trustee (a) this document is executed and delivered by Wilmington Trust Company, not individually or personally, but solely as Lessor Trustee, in the exercise of the powers and authority conferred and vested in it, pursuant to the Trust Agreement, (b) each of the representations, undertakings and agreements herein made on the part of the Lessor Trustee or the Debtor, is made and intended not as personal representations, undertakings and agreements by Wilmington Trust, (c) nothing herein contained shall be construed as creating any liability on Wilmington Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall Wilmington Trust Company be personally liable for the payment of any indebtedness or expenses of the Lessor Trustee or the Debtor, as the case may be, or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Lessor Trustee or the Debtor, as the case may be, under this Agreement or any other related documents.

Counterpart No. 2 of 7.

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

SOUTHWESTERN ELECTRIC POWER COMPANY

By   
Its Treasurer

SOUTHWESTERN STATUTORY TRUST-2004-A

By: WILMINGTON TRUST COMPANY, not in its  
individual capacity but solely as Lessor  
Trustee

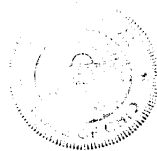
By \_\_\_\_\_  
Its \_\_\_\_\_

STATE OF OHIO                    )  
  ) SS.:  
COUNTY OF FRANKLIN            )

On this, the 15<sup>th</sup> day of March, 2004, before me, a Notary Public in and for said County and State, personally appeared Stephen P. Smith, the Treasurer of SOUTHWESTERN ELECTRIC POWER COMPANY, who acknowledged himself to be a duly authorized officer of SOUTHWESTERN ELECTRIC POWER COMPANY, and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name: [Signature]  
Notary Public  
My Commission Expires: \_\_\_\_\_  
Residing in \_\_\_\_\_



DAVID C. HOUSE  
NOTARY PUBLIC  
My commission expires 12/31/2006.  
Section 147.03 R.C.

RAILCAR LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2

IN WITNESS WHEREOF, Lessor and Lessee have caused this instrument to be executed, all as of the day and year first above written.

SOUTHWESTERN ELECTRIC POWER COMPANY

By \_\_\_\_\_  
Its \_\_\_\_\_

SOUTHWESTERN STATUTORY TRUST-2004-A

By: WILMINGTON TRUST COMPANY, not in its  
individual capacity but solely as Lessor  
Trustee

By Robert P. [Signature]  
Its Senior Financial Services Officer



RAILCAR LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2

STATE OF DELAWARE )  
 ) SS.:  
COUNTY OF NEW CASTLE )

On this, the 20 day of Feb, 2004, before me, a Notary Public in and for said County and State, personally appeared Robert P. Hines, Jr., the ~~Senior Financial Services Officer~~ of WILMINGTON TRUST COMPANY who acknowledged himself to be a duly authorized officer of WILMINGTON TRUST COMPANY and that, as such officer, being authorized to do so, he executed the foregoing instrument for the purposes therein contained.

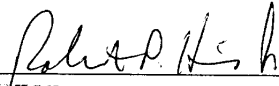
IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name: Vernessa E. Robinson  
Notary Public **VERNESSA E. ROBINSON**  
My Commission Expires Oct. 28, 2006 **NOTARY PUBLIC - DELAWARE**  
Residing in Wilmington, DE **My Commission Expires Oct. 28, 2006**

RAILCAR LEASE AND SECURITY AGREEMENT SUPPLEMENT NO. 2

Receipt of this original counterpart of the foregoing Lease and Security Agreement Supplement is hereby acknowledged this 3<sup>rd</sup> day of March, 2004.

WILMINGTON TRUST COMPANY, not in its  
individual capacity but solely as Security  
Trustee

By   
Its SENIOR FINANCIAL SERVICES OFFICER

**EXHIBIT A**

DESCRIPTION	NUMBER OF CARS	MARKS	CAR NUMBERS
New BethGon II Railcars	125	COEH	6688 through 6811 (inclusive) and 6813

**SCHEDULE OF INTERIM RENT, FIXED RENT,  
AND RENT FACTOR**

RENT  
PAYMENT DATE

RENT INSTALLMENT  
FOR THE ITEM OF EQUIPMENT EQUAL TO  
ACQUISITION PRICE OF THE  
EQUIPMENT TIMES THE FOLLOWING  
RENT FACTOR  
[Interim Rent]

SCHEDULE 2  
(to Railcar Lease and Security Agreement  
Supplement No. 2)

STIPULATED LOSS VALUE

RENT  
PAYMENT DATE

STIPULATED LOSS VALUE  
AS A PERCENT  
OF THE ACQUISITION PRICE  
OF THE ITEM OF EQUIPMENT  
(IN ADDITION TO FIXED RENT  
INSTALLMENT FOR SUCH ITEM OF  
EQUIPMENT DUE ON SUCH DATE)